

A BRIEF
of the
TEACHERS
RETIREMENT LAW
of the
STATE OF MONTANA
Including All
Amendments Through
1953



STATE CAPITOL
Helena, Montana

TEACHERS RETIREMENT BOARD

1953-54

MARY CONDON _____ Chairman
State Supt. of Instruction

	Term expires
JOHN L. SAVAGE	July 1, 1954
RAYMOND A. GERBER	July 1, 1955
J. L. GLEASON	July 1, 1956
MRS. ANNA L. FULTON	July 1, 1957

Under the terms of the 1953 legislature, the Retirement Board is made up of the State Superintendent of Public Instruction, two teacher members and two members representative of the public. They, in turn, employ the office staff which includes, among others, the following:

FLOYD E. YOUNG	Actuary
ROBERT W. HARPER	Executive Secretary
J. HUGH McKINNY	Accountant

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FOREWORD

The basis of this booklet is the summary of all teacher-retirement legislation since its inception in September, 1937 through the Legislative Assembly of 1953.

The offices of the Retirement System are located in the Sam Mitchell Building, Room 336, at the State Capitol. Your visit will be welcomed.

The Attorney General acts as our legal advisor and the State Treasurer as the custodian of the invested funds. Their former places on the Retirement Board have been taken by representatives of the public.

The Montana Teachers' Retirement System is a joint contributory System, which provides that a teacher is required to contribute toward an annuity purchased with the deposits made which were deducted from salary earned. The state contributes toward pension which is based on salary and service. Should the teacher member not complete the minimum requirements necessary for a benefit, a refund of the member's deposits is available. See paragraph on refunds.

ADMINISTRATION

The legal body responsible for the administration of the law is the Retirement Board. Their names are



listed on the inside of the cover page of this booklet. The Board generally meets in June, September, December, and March. Since all members of the Board are otherwise engaged in full-

time work, they employ an administrative officer and an actuary, and clerical help who take care of the details of recording deposits to approximately 7500 accounts and pay retirement benefits to over 650 retired teachers.

Correspondence and payments should be directed to the Teachers' Retirement System, State Capitol, Helena, Montana.

MEMBERSHIP

Those Whose Membership is Required

For the following persons, membership in the Retirement System is considered a condition of their employment: All persons employed as teachers, librarians, physical education directors, school nurses, principals, vice-principals, supervisors, superintendents, county superintendents of schools and any other member of the teaching or professional staff of any public school, elementary school or high school in the state of Montana, and any member of the administrative, instructional, or scientific staff of the units of the University of Montana, also any person in the office of, or by, the State Superintendent of Instruction in duties pertaining to instructional services, and any member of the instructional staffs of the various state custodial institutions.

In cases of doubt the Retirement Board will have the right to decide as to the person's membership. It may be added that the Board has ruled that persons employed for a period of less than one month, to relieve a shortage during the illness of a regular teacher, may be excused from membership.

All other persons in the classification listed are deemed to be regularly employed, and their membership is considered a condition of their employment no matter how long they may think they will continue in the profession.

Those Exempt From Membership

1. Exemption by Law.

At the time of passage of the original law in 1937 and its later amendment to admit the University group, one was permitted to choose membership or nonmembership. In each case this period of option lasted only three months. Those are the only ones permitted exemption and their names are listed in the Retirement office; and they have been issued exempt cards.

2. Exemption through coverage in another System holding prior rights.

One may not receive credit for service in two Retirement Systems **simultaneously** that are supported wholly or in part by the State, County or United States Government. In other words, a person may not receive credit for the same service in two Systems supported by public money.

3. Exemption for short periods of service.

No one else is exempt from membership except, as previously stated, when teaching for less than 30 days.

Transfer of Membership

A person, whose employment changes their retirement coverage from the jurisdiction of the Teachers' Retirement System to the Public Employees' Retirement System or vice versa, may apply to the Board of the System in which his account is maintained for transfer to the jurisdiction of the other Retirement Board. Upon such transfer the receiving System accepts his record of service and deposits as they stand at the time of the transfer and any subsequent benefit shall be governed by the rules of the System to which he last made contributions.

PAYMENTS

What the Teacher Pays

Five per cent of her salary, up to \$5,000 per year, is deducted from the monthly salary checks by the school clerk and forwarded by that person to be credited to the teacher's individual savings account. Each fall there is also deducted an additional \$1 to pay the annual membership fee. This is not refundable.



If this fee is not

paid by the individual, the law permits its deduction from the teacher's savings account.

The purpose of this savings account is to accumulate a fund with which the teacher buys an annuity. For further details see other sections of this booklet.

The 1949 Legislature provided that if a person was to use salaries within five years after July 1, 1949, for retirement purposes, he might, if he desired, use salaries higher than already acknowledged and could pay the employee's 5 per cent and the employer's $3\frac{1}{2}$ per cent on such parts of salaries over \$2,000 and thereby have these used in the calculation of a retirement benefit.

University professors may, if they have not already done so, purchase credit for 1937-39 by paying 5 per cent of their salary (with a salary maximum of \$2,000).

What the Employer Pays

Each employer, school board, university unit, etc., pays $3\frac{1}{2}$ per cent of each teacher member's salary to the pension fund and $\frac{1}{4}$ per cent to the expense fund—total $3\frac{3}{4}$ per cent. This is subject to the same maximum of \$5,000.

This money is not identified as belonging to any person or for any one person's benefit. It goes into funds from which all pension and expense payments are made. The only time the employer is excused from payment is when he employs an exempt teacher. The district is not excused from paying if the teacher member has completed 35 years of service and is over 60, although she, herself, need not pay the 5 per cent. She may wish to do so, however, since continued payments mean a larger purchasing power and resultant larger annuity, and only those salaries for which the full 5 per cent has been paid may be used for computing a pension.

Refunds

Teachers who leave the teaching profession, for what they believe to be permanently, may apply for a refund of their deposits. Such application should be directed to the Teachers' Retirement System, State Capitol, Helena, Montana. An application blank will be sent which will indicate the amount available for refund.

See the paragraph on "Vested Right" if your current account amounts to more than 10 years of service.

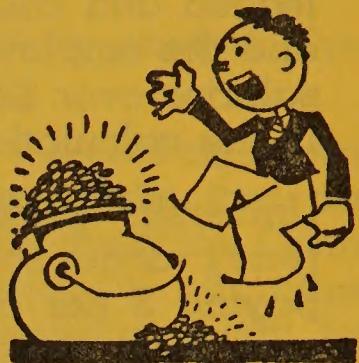
Please do not write for the refund-application blank until service is actually terminated.

Members, whose current account began prior to July 1, 1945, will receive as a refund three-fourths of the accumulated interest together with their deposits. All others will receive a refund of deposits only.

Interest on the Teacher's Account

Interest is credited each year on June 30. The interest is computed on any previous balance and on the monthly payments.

The current rate is $2\frac{1}{2}$ per cent, compounded annually. This interest remains in the account if the teacher continues until she receives a retirement benefit and, of course, materially aids in the purchase of the annuity. For details on interest for refunds see the paragraph marked "Refunds".



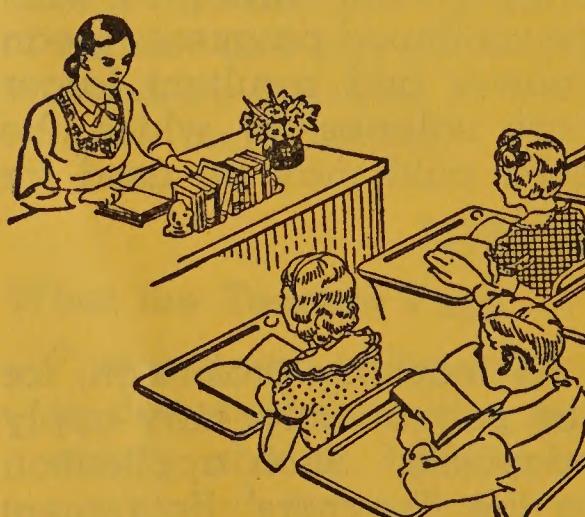
SERVICE RECORD

Membership Service (MS)

This consists of all Montana service since September, 1937, for which payments have been made and which remain on deposit plus any service out of state for which the member has deposited 5 per cent of the first year's salary in Montana, for each year claimed.

Prior Service (PS)

This consists of all service prior to September 1, 1937, for which the member is entitled to receive credit by the rules governing such credit, plus any military service rendered during time of war for which the member is entitled to receive credit.



(laws of 1953) provides that after the teacher has a record of 10 or more years of Montana service on which contributions of 5 per cent of his salary have been made for at least 5 years, he may apply for and receive credit for that service **in Montana** which occurred before September 1, 1937.

For those who have not as yet had prior service already certified, the new rule

Creditable Service (CS)

This represents the total of prior service and membership service.

Note that the total out-of-state credit permitted is 10 years.

Military Service

This includes service in the Army, Navy, Marines, Red Cross and Merchant Marine during the time of War. It may be claimed as Prior Service credit by filing with the System a copy of your discharge, giving the date of induction and separation. This credit is granted for retirement purposes without cost to the individual.

Leave of Absence

If a member has 10 or more years of service and is taking a leave of absence to further his education, or for illness, and if he does not wish to have a "Vested Right" applied to his account within one year, then he must submit a written statement from his employer stating the period of time for which the leave is granted and such notation will be made in the member's file.

It must be further noted that if the member accepts another position while on leave, such leave is terminated as of the date of acceptance of the other position and the one-year grace period for refund purposes will be deemed to have started as of the date on which the salary starts in the new position.

Re-Deposit

Persons who have previously had an account with the System (since 1937), and have withdrawn said account, may re-deposit said withdrawn account and thereby re-activate membership and prior service as they were at the time of withdrawal. Persons desiring to do this should write to the Retirement Office for form 49. Information will follow, after the form has been filed, as to the amount of the re-deposit and the service that will be re-activated.

Vested Right

Any member who has 10 or more years of Montana creditable service may, if they are leaving the profession in this state, elect to receive, by written designation (form no. 46) their retirement benefit based on the record so far accumulated at the earliest retirement age, if they give such notice within one year of termination of service.

If the member has 10 or more years of Montana service and has not filed a notice of leave of absence from the employer, the account will automatically be placed on a "Vested Right" basis at the end of one year, and thus preserve the account for retirement purposes and no refund would then be available.

BENEFITS

Refund

See paragraph on page 7 regarding refunds. There are no refunds of payment made prior to September 1, 1937.



Disability Benefit

A teacher who meets the following conditions may apply for and receive a disability benefit, irrespective of the age of the applicant:

1. Completed at least 10 years of Montana teaching and makes application for such benefit to the Teachers' Retirement System.
2. Submit a doctor's report, on a form provided by the Teachers Retirement office, that clearly indicates that the applicant is totally disabled for further teaching and that such disability is likely to be permanent.

The disability allowance is paid monthly for the balance of the member's life and its size is governed by two factors, i.e., average salary for any five consecutive years, and number of years of teaching. Any person under sixty retiring on a disability with 10 to 20 (inclusive) years of service would receive 25 per cent of the average salary; at 25 years of service, 30.85 per cent; 30 years, 37.28 per cent and at 35 years, 43.71 per cent of the average salary, which in no case can exceed \$5,000 per year. Intervening years of service are paid in proportion.



Persons retiring on a disability may choose the same optional benefit as shown for regular Service Retirements on Page 12 of this booklet.

If the regular retirement plan is selected and the person retired for disability receives less than the

amount he has contributed to his fund before his death, his beneficiary will receive the difference.

In the case where a person subject to disability retirement was unable to make such application because of physical or mental disability, his payment may be dated back to the date of his disability after such application is made by someone acting on behalf of the member and proper evidence given that such a condition existed. Otherwise, such payment is dated 30 days from date of application.

Retirement Benefit

The applicant must have completed at least 10 years of service in Montana, but may have 35 years of creditable service, the last 10 of which are in Montana.



The applicant must be at least 60 years of age.

The retirement benefit is composed of two parts: the pension and the annuity.

1. Pension—paid by the state and based on creditable service and average salary as follows:

For prior service— $1/70$ of the average salary multiplied by the number of prior service years.

For membership service— $1/140$ of the average salary multiplied by the membership service years.

Average salary is the average of the highest 5 consecutive years on which the full 5 per cent has been paid. All salaries are limited to \$5,000 for retirement purposes.

2. Annuity.

The annuity is the actuarial equivalent of the member's accumulated contributions at the time of the retirement. This means simply that larger deposits buy larger annuities as will greater interest earnings provide better retirements, and the age at retirement will determine the length of time the individual may have prospects of receiving the benefits.

Retirement samples.

Let us assume a woman teacher retiring at age 60. She has selected five consecutive years sal-

aries that average \$3,000 per year. She has prior service of 25 years and membership service of 10 years, totaling 35. The pension paid from state funds would be \$1,285.50 per year. Assume 5 years paid by her at \$100 per year and 5 years at \$150 per year and earnings at $2\frac{1}{2}$ per cent interest compounded annually, her total savings would be \$1,383.14. This would purchase for her an annual annuity amounting to \$89.07. Total annual retirement allowance \$1,374.57 per year or \$114.54 per month.



In the same situation, a man, age 60, with the same total of deposits, would receive the same pension but his deposits purchase an annuity amounting to \$102.63 per year, making a total retirement allowance of \$1,388.13 per year or \$115.68 per month. This seems to be more; but his life expectancy is not as great so he will probably receive the same total amount.

The above samples are on a straight-life annuity basis.

Optional Benefits

The retirement benefit may be received in any of five different ways. The selection is not made until the actual time of application for disability benefit or retirement.

1. Straight Life. The maximum amount available by reason of the member's record and payable only to that member, terminating at death.
2. A lesser retirement allowance, payable during the life of the member, with the unused portion of the savings account refundable to the named beneficiary.
3. A lesser retirement allowance payable jointly to either of two persons (the member and another person designated) as long as either shall live.
4. A lesser retirement allowance with half as much being paid to a named person after the death of one member of the combination.
5. Some other retirement allowance payable to the member and others as suggested by the member so long as it is the actuarial equivalent of the member's account.

Minimum Benefits

Minimum benefits of \$600 per year as follows:

1. For all those retired prior to September 1, 1937.
2. For those retired between September 1937 and June 30, 1949, if 30 years of creditable service is completed.
3. For those retiring after July 1, 1949, a minimum of \$600 per year if the person has 35 years of creditable service and is age 65.

Death Benefits

1. Prior to payment of disability or retirement benefits, in the event a member dies who has less than 10 years of Montana service, the contributions are refunded to the named beneficiary.



If the member who died has a record of 10 or more years of Montana service, the named beneficiary may choose between receiving the refund of the deposits or may elect to receive a monthly life income based upon the deceased member's service record, average salary, savings deposits and the beneficiary's age.

2. After retirement.

The selection of the manner of payment at the time of retirement will largely determine what is paid if death occurs after retirement. If the member has chosen the straight-life payment and the member has not lived to receive at least four checks, then the beneficiary may have a refund of the difference between what the member received in retirement benefits and the amount paid into his savings account.

PROTECTIVE CLAUSES

Annual Reports

Each fiscal year ends on June 30. The recording of payments for that year ends on that day. We forward, to each **new** account of that year, a statement and membership card combined showing the amount of money received and posted to your credit for that school year. If you want the record continued, in the event you continue as a member, it is up to the teacher to send her card in each July for the new total. The totals are ready about July 20 each year.



A general statement of the funds as a whole is published in the MEA Journal and also sent with your own record.

Safeguards

The books are audited each year by the State Bank Examiners. The law provides that your deposits are immune from legal actions (attachments or garnishments). It also provides that your funds are made the obligations of the state as a trust.

QUESTIONS AND ANSWERS

1. What is the compulsory retirement age? Age 70.
2. May I borrow on my account? No.
3. Where are the funds kept? The invested funds are in the State Treasurer's office. The cash balance in the two Helena banks.
4. In what is the money invested?

County and School District Bonds	14%
United States Government Bonds	55%
FHA and Veterans' Mortgages	29%
State of Montana	2%

(As of June 1953)

5. Is there any distinction between a substitute teacher and a contract teacher? No. Any person employed as a teacher in Montana for a period in excess of 30 days is required to belong to the Retirement System as a condition of their employment.
6. What is the purpose of the enrolling card? For your protection mostly, and secondly, to furnish statistical information on which the Actuary bases calculations of pension costs of future years. "Your protection" means, that in the case of your death before retirement, we are empowered to make an immediate payment to your named beneficiary instead of going through court proceedings. That is why it is important to have your card dated and properly witnessed. It also gives us a home address through which we can contact you to return the money if you discontinue teaching. Those accounts left for 10 or more years and having less than 10 years service recorded may be transferred to the Pension Fund, but at no time are the owner's rights for refund cancelled.
7. What became of the money in the Old Teachers' Pension Fund? It was, and is, being used

to pay a very small part of the monthly checks of those who were retired prior to September 1, 1937, and who are still living. The current employer-contributions pay the rest.

8. Is there any time limit on claiming prior service and out-of-state service? No, not since the 1953 laws were enacted.
9. May a former teacher claim rights without returning to the class room? No. She must be an active teacher to apply for re-deposit rights.
10. May out-of-state service be used in the "average final compensation"? No.
11. May a teacher who has 35 years of creditable service, but who isn't old enough to receive a benefit as yet, teach in another state and not lose her Montana retirement allowance? Yes, she should request a "vested right" form to preserve her rights.
12. If a teacher reaches her 70th birthday in the middle of the year, does she have to quit at once? No. She can complete the school year in which she attains her 70th birthday.
13. May a teacher count Montana service before September, 1937, toward a "vested right"? Yes, she is entitled to count that service as a part of her "prior service".
14. Does a wife share any in her husband's retirement benefit? Yes, if the teacher member (her husband) has elected to receive some form of a joint-life annuity at the time of retirement.
15. Are proportionate amounts paid as retirement benefits for those with more than 10 years or less than 35 years of service? Yes.
16. Are years in excess of 35 counted toward the pension? Not the pension part, but additional contributions increase the annuity benefit.
17. May a member make added payments? Yes, a member may, if they wish, make added contributions over and above the usual 5 per cent. These will purchase a larger annuity.

